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STATE OF ARIZONA  
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July 9, 2008

The Honorable John Nelson, Chair  
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Nelson and Senator Blendu:

Our Office has recently completed a 6-month follow-up of the Arizona Department of Education, State Board of Education, and State Board for Charter Schools' implementation status for the 20 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report on the Technology Assisted Project-Based Instruction Program released in October 2007. As the attached grid indicates:

- 3 recommendations have been implemented;
- 16 recommendations are in the process of being implemented; and
- 1 recommendation is no longer applicable due to Laws 2008, 2<sup>nd</sup> Regular Session, Chapter 287, section 49.

Our Office will continue to follow up at 6-month intervals with the Arizona Department of Education, the State Board of Education, and the State Board for Charter Schools on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Ross Ehrick, CPA  
Director, Division of School Audits

Enclosure

cc: The Honorable Tom Horne, State Superintendent of Public Instruction  
Arizona Department of Education  
Mr. Vince Yanez, Executive Director  
Arizona State Board of Education  
Ms. DeAnna Rowe, Executive Director  
Arizona State Board for Charter Schools

# TECHNOLOGY ASSISTED PROJECT-BASED INSTRUCTION PROGRAM

## Auditor General Performance Audit Report Issued October 2007 6-Month Follow-Up Report

Recommendation	Status/Additional Explanation
<b>CHAPTER 1: Fiscal year 2006 TAPBI ADM overfunded by about \$6.4 million</b>	
1. To ensure that TAPBI Program is appropriately funded, the Legislature should:	
a. Consider whether the current ADM method is the best basis for TAPBI funding given differences of the online learning environment. If the Legislature decides that the ADM funding method is appropriate, it could consider adding other funding criteria, such as requiring students to complete courses for schools to receive funding.	<b>Implementation in Process</b> During the 2 <sup>nd</sup> Regular Session of the 48 <sup>th</sup> Legislature, several bills were introduced addressing the TAPBI program, including House Bill 2816. However, these bills did not become law.
b. Consider specifically addressing whether it intends for a TAPBI student to generate more than 1.0 ADM in funding that is allowed for traditional students and whether summer classes are included in that 1.0 ADM.	<b>Implementation in Process</b> During the 2 <sup>nd</sup> Regular Session of the 48 <sup>th</sup> Legislature, several bills were introduced addressing the TAPBI program, including House Bill 2816. However, these bills did not become law.
2. To ensure that TAPBI ADM is properly calculated and funded, ADE should:	
a. Ensure that SAIS is programmed to identify and calculate necessary funding adjustments for TAPBI concurrent enrollments and summer school programs.	<b>Implementation in Process</b> ADE is currently programming its SAIS system to properly calculate TAPBI ADM, including concurrent and summer school adjustments. Auditors will review this recommendation again at the time of program's 12-month status report.
b. Make appropriate adjustments to TAPBI funding for the fiscal year 2006 ADM calculation errors and any similar errors made in fiscal year 2007.	<b>No Longer Applicable</b> Laws 2008, 2 <sup>nd</sup> Regular Session, Chapter 287, Section 49, prohibits ADE from adjusting TAPBI funding for ADM calculation errors pertaining to concurrent enrollment made in fiscal years 2006 and 2007.

## Recommendation

## Status/Additional Explanation

- c. Monitor whether TAPBI schools adhere to statutory enrollment limitations, including the requirements that 80 percent of new students must have been previously enrolled in a public school, that kindergarten students must have a sibling enrolled in the program, and that enrollment growth must not exceed 100 percent in a year for individual TAPBI schools.

### **Implementation in Process**

ADE is in the process of developing attendance record guidelines, record-keeping requirements, and SAIS programming to monitor statutory enrollment limitations.

3. ADE should seek legal advice to determine if the overfunding related to noncompliance with these enrollment limitations should be recovered from the TAPBI schools.

### **Implemented at 6 Months**

ADE sought legal advice from its Attorney General Representative. Based on that advice, ADE does not plan to pursue recovering overfunding from prior fiscal years.

4. ADE should determine whether to recover TAPBI funding paid to the Humanities and Sciences Academy Arizona for fiscal years 2006 and 2007 that was not based on student logs of actual instruction time.

### **Implemented at 6 Months**

Based on advice from its Attorney General Representative, ADE has determined it will not recover TAPBI funding from Humanities and Sciences Academy Arizona that was not based on students' logs of actual instruction time. However, ADE plans to monitor and ensure compliance when specific SAIS programming and attendance guidelines are in place.

## Recommendation

## Status/Additional Explanation

### CHAPTER 2: TAPBI schools' operations cost less, but further savings may exist

1. To ensure compliance with statutory reporting requirements and to improve the accuracy of costs, the following actions should be considered:

- a. In reviewing and compiling the annual TAPBI self-reports, the State's education boards should ensure that TAPBI schools are properly allocating costs between TAPBI and non-TAPBI operations, using an allocation basis that best reflects how the costs are incurred.

#### Implementation in Process

The State's education boards are in the process of revising the annual report format to provide clarity in allocating TAPBI and non-TAPBI costs.

- b. To facilitate this cost accounting, the Auditor General's Office and ADE should add a specific TAPBI program code to the Chart of Accounts provided in the Uniform Systems of Financial Records for Arizona School Districts and for Charter Schools.

#### Implemented at 6 Months

- c. To help TAPBI schools accurately report their costs in the Annual TAPBI Report, the state education boards should consider aligning the Report's cost categories to the Uniform Charts of Accounts.

#### Implementation in Process

The State's education boards have discussed a potential revision to the annual report cost table that would include Uniform Charts of Accounts codes and/or definitions.

- d. The State Board for Charter Schools should consider requiring the TAPBI Charter Schools to follow the Uniform Chart of Accounts for TAPBI programs.

#### Implementation in Process

The State Board for Charter Schools plans to use the revised cost table to assist TAPBI charter schools in aligning cost categories.

2. In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the State's education boards should assess the schools' cost-effectiveness, including the level of administration expenditures and the fiscal impact of software or management agreements on costs.

#### Implementation in Process

The State's education boards have met and discussed the need to identify other aspects of student success that could be considered when defining a school's cost effectiveness. The boards also intend to use the planned revised cost table in the annual report to assess schools' cost-effectiveness.

## Recommendation

## Status/Additional Explanation

### CHAPTER 3: Student achievement measures and practices can be improved

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1. To better measure TAPBI schools' effect on student achievement, the State's education boards should consider the following:

- a. Whether they can more accurately analyze standardized test results, such as only comparing test scores for full-time TAPBI students to state-wide averages.

#### Implementation in Process

The State's education boards plan to consult with ADE's Research and Evaluation Unit to determine how to identify full-time TAPBI students who completed an academic year. The Boards will then explore a method for comparing standardized test scores.

- b. Whether there are other indicators of a TAPBI school's performance, such as credits recovered contributing to on-time graduations; advanced classes made available that were not available in the student's traditional school; or changes to students' learning assessment scores.

#### Implementation in Process

The State's education boards are in the process of exploring the inter-relatedness of other indicators of a TAPBI school's performance and a school's cost effectiveness and whether or not they are appropriate indicators of performance or effectiveness.

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2. In reviewing whether to allow the TAPBI schools to continue in the TAPBI program, the State's education boards should consider whether the TAPBI schools' policies and procedures support student achievement, including the following:

- a. Procedures for ensuring minimum required instruction hours are met.

#### Implementation in Process

The State's education boards have been communicating with ADE's School Finance Unit to understand the direction ADE will take regarding the reporting of instruction hours. Once guidelines are established, the boards will examine how this may translate into student achievement and whether it should be given further consideration in the continuation of a TAPBI school.

- b. Procedures for ensuring academic integrity, such as establishing controls for limiting student access to online grades, requiring students to take exams in person in a proctored environment, and requiring students to demonstrate proficiency through proctored course exams to pass a course.

#### Implementation in Process

The State's education boards have been monitoring proposed legislation and plan on amending annual reporting requirements as appropriate. Also, the boards have discussed the need to review TAPBI schools' procedures for ensuring academic integrity.

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Recommendation	Status/Additional Explanation
<p>c. Policies and performance measures regarding the frequency of teacher-to student contact.</p> <p>d. Policies and procedures for training teachers to instruct students in an online environment.</p>	<p><b>Implementation in Process</b> The State's education boards have discussed the need to review TAPBI schools' policies and performance measures regarding teacher-to-student contact and to evaluate them when determining whether to allow a TAPBI school to continue in the program.</p> <p><b>Implementation in Process</b> The State's education boards have discussed the need to review TAPBI schools' teacher training policies and procedures and evaluate them when determining whether to allow a TAPBI school to continue in the program.</p>
<p>3. ADE should ensure that TAPBI courses provide students with at least the minimum instruction hours required by statute.</p>	<p><b>Implementation in Process</b> Recently, ADE issued guidelines that specify the minimum instruction hours and what constitutes instruction hours as required by statute. These guidelines also state that schools' funding for students who do not meet required minimum instruction hours will be adjusted. Auditors will review this recommendation again at the time of the program's 12-month status report.</p>
<p>4. ADE should determine whether Arizona Distance Learning and Pinnacle Education Virtual Academy have sufficient student enrollment records to demonstrate compliance with statutory minimum instruction hour requirements.</p>	<p><b>Implementation in Process</b> According to ADE, it plans to audit these TAPBI schools in fiscal year 2009 to determine whether they have sufficient student enrollment records to demonstrate compliance with statutory minimum instruction hour requirements.</p>